Distr.
GENERAL

IDB.10/15
7 August 1992

United Nations Industrial Development Organization

ORIGINAL: ENGLISH

Industrial Development Board

Tenth session
Vienna, 2-6 November 1992
Item 7 of the provisional agenda

GUIDELINES FOR SPECIAL TRUST FUND PROJECTS

Report by the Director-General

Summary

Reports on the implementation of General Conference resolution GC.4/Res.28 and, in accordance with paragraph 2 of the resolution, submits to the Board draft additions to the guidelines for special trust fund projects approved by the Conference and contained in document GC.4/36.

CONTENTS

	Paragraphs	Page
Introduction	1	1
Chapter		
I. IMPLEMENTATION OF GENERAL CONFERENCE RESOLUTION GC.4/RES.28	2 - 11	1
II. ACTION REQUIRED OF THE BOARD	12	2

Introduction

1. In its resolution GC.4/Res.28, the General Conference at its fourth session, while approving the guidelines for development, appraisal, approval, implementation and evaluation of special trust fund projects contained in document GC.4/36, requested the Director-General to undertake a number of actions including the preparation of additions to those guidelines. The Conference also invited the Director-General to report on the implementation of the resolution, the appraisal activities, the in-depth evaluation, as well as on the steps taken to revise the regulatory framework for the implementation of Articles 16 and 17 of the Constitution, and to submit the requested draft additions to the Industrial Development Board at its tenth session.

I. IMPLEMENTATION OF GENERAL CONFERENCE RESOLUTION GC.4/RES.28

Development, appraisal and approval aspects

2. In paragraph 2 of resolution GC.4/Res.28, the Director-General was requested to prepare additions to the guidelines contained in document GC.4/36 in order to fully reflect: (a) that the developmental aspects be the leading principles for accepting special trust fund projects, inter alia to assist developing countries in training, management, recovery and rehabilitation requirements for industrial enterprises; and (b) that definitions for the appraisal criteria will be amended in line with decision GC.4/Dec.11, paragraph (d), on technical cooperation activities.

3. Developmental aspects are generic to all technical cooperation projects undertaken by UNIDO. As far as special trust fund projects are concerned, sections A and B of the guidelines (GC.4/36), already approved by the General Conference at its fourth session, contain explicit injunctions on the developmental objectives. In the case of special trust fund projects, apart from the procedures adopted by the Secretariat to ensure the primacy of developmental aspects, donors of such funds and the Government of the recipient country are also involved in ensuring the inclusion of the development objectives since they also approve the project prior to the commencement of any activities.

4. From March 1988 to the end of June 1992, 97 trust fund projects were submitted for appraisal, and appraisal memoranda were issued for 50 of them on their overall quality. Of these, 12 per cent conformed with design standards as submitted, 56 per cent conformed with those standards after reformulation by the project planners, and 32 per cent were the subject of divergent views. Appraisal memoranda were not issued for 47 of the projects, generally due to lack of adequate information on the specific problems to be addressed (their causes and effects), the project strategy and verifiable outputs.

V.92 55903 3487E

Distr.: 12 August 1992

5. The appraisal tools used, including those derived from objective-oriented project planning, are sufficient to appraise projects of a development assistance nature with specific and verifiable objectives and outputs, such as most of those financed from third-party trust funds, special purpose contributions to the Industrial Development Fund (IDF), and a few self-financing trust funds. In general, it is possible to assess the overall quality of projects in terms of relevance, cost effectiveness and sustainability, as defined in the annex to document GC.4/28 on IDF. However, for the appraisal of most self-financing trust fund projects appraisal tools will be further adapted, provided that additional resources are made available.

6. Responding to the request made in paragraph 2 of General Conference resolution GC.4/Res.28, and with a view to stricter compliance and monitoring of the developmental aspects and other project quality control measures, the Director-General issued a revised bulletin containing administrative instructions for the development, appraisal, approval and implementation of special trust fund projects (UNIDO/DG/B.73/Rev.1). In paragraphs 7 to 13 of the bulletin procedures are set out to ensure not only that special trust fund projects are appraised in consonance with development objectives and that appraisal criteria are in line with decision GC.4/Dec.11, paragraph (d), but also that those projects are designed and formulated in accordance with the guidelines contained in the UNIDO Project Design Reference File.

7. In compliance with paragraph 3 of resolution GC.4/Res.28 the same bulletin also sets out procedures to ensure that the approving authority will invariably receive coordinated advice, prior to approval of special trust fund projects (cf. paras. 9, 11, 12, 13 and 16 of UNIDO/DG/B.73/Rev.1).

In-depth evaluation

8. In response to paragraph 8 of General Conference resolution GC.4/Res.28 and in compliance with Board decision IDB.5/Dec.12, UNIDO approached donors who finance special trust fund projects concerning the in-depth evaluation of such projects. In February 1992, letters were sent to seven donors financing self-financed special trust fund projects and to three donors financing third-party special trust fund projects to remind them of the above Board decision and to solicit their agreement to carry out in-depth evaluations. Such evaluations would serve the dual purpose of accountability and of redirecting, where necessary, the course of the projects. So far, three positive responses were received in respect of third-party financed projects and consultations are being held with those donors to undertake an in-depth evaluation of selected projects. It is expected that two in-depth evaluations will commence in 1992.

Application of financial rule 106.21

9. In paragraph 6 of resolution GC.4/Res.28 the Director-General was requested to present a proposal to the Board at its tenth session, through the Programme and Budget Committee, on the application of financial rule 106.21, taking into account the cost measurement study being undertaken at the time by the United Nations Development Programme. The proposal of the Director-General (PBC.8/8-IDB.10/8) for reimbursement for special trust fund projects in accordance with financial rule 106.21 was submitted to the Programme and Budget Committee at its eighth session and will be before the Board at its current session under item 4 of the provisional agenda - report of the Programme and Budget Committee.

Regulatory framework for the implementation of Articles 16 and 17 of the Constitution

10. With regard to the revised regulatory framework for the implementation of Articles 16 and 17 of the Constitution (para. 8 of resolution GC.4/Res.28), a report on steps taken in that respect (PBC.8/16-IDB.10/10) was also submitted to the Programme and Budget Committee at its eighth session and will be before the Board at its current session under item 4 of the provisional agenda. As explained in that report, the Director-General has issued a revised and expanded version of his previous bulletin on guidelines and procedures for special trust fund projects. The new bulletin (UNIDO/DG/B.18/Rev.1 of 15 May 1992) contains a complete and updated comprehensive and transparent regulatory framework for the implementation of Articles 16 and 17 of the Constitution in so far as they relate to projects financed from trust funds, special-purpose contributions to the Industrial Development Fund, the general pool of the Industrial Development Fund or the regular budget.

Proposed additions to the guidelines

11. In light of the foregoing, the approved guidelines (GC.4/36) seen in conjunction and applied together with the Director-General's bulletins UNIDO/DG/B.18/Rev.1 and UNIDO/DG/B.73/Rev.1 will effectively meet the concerns reflected in General Conference resolution GC.4/Res.28. Furthermore, in line with paragraphs 2 and 3 of that resolution, it is proposed that the following sentences be inserted in the guidelines already approved by the General Conference and contained in document GC.4/36:

(a) Page 2, paragraph 10, line 1
Insert before present first sentence:
Like for all other UNIDO projects, the developmental aspects will be the leading principles for accepting special trust fund projects.

(b) Page 3, paragraph 16, last line
After projects, insert: Similarly the appraisal criteria for special trust fund projects, like for other UNIDO projects, will give due consideration to the relevance, cost effectiveness and sustainability of these projects.

II. ACTION REQUIRED OF THE BOARD

12. The Industrial Development Board may wish to take note of the present report and recommend to the General Conference at its fifth session that it approve the additions to the "Guidelines for the development, appraisal, approval and implementation of special trust fund projects" (GC.4/36) proposed in paragraph 11 above.